

## **IFQ Implementation and Cost Recovery Committee October 5, 2003 Minutes**

Members of the committee in attendance were: Chair Jeff Stephan, Dennis Hicks, Buck Laukitis for Don Lane, David Soma, Don Iverson, Bob Alverson, Kris Norosz, Arne Fuglvog, Gerry Merrigan, and Paul Peyton. Staff were Jane DiCosimo, Phil Smith, Jeff Passer, John Kingeter, Jay Ginter, Bubba Cook, Bruce Leaman, Glenn Merrill, and LT Al McCabe. Six members of the public attended the meeting.

The committee reviewed and considered nineteen proposals (Appendix 2) that were submitted to the Council in response to a call for proposals that was advertised in the June, 2003, Council newsletter. The committee is grateful to the Council for advertising the call for proposals for halibut and sablefish IFQ issues.

The committee requests that the Council schedule IFQ implementation issues on the agenda for the December, 2003, meeting, including the prioritized list of proposals that was developed by the committee during its October 5 meeting.

The committee noted, because of the timing of the sablefish and halibut IFQ fisheries, that the December Council meeting is plausibly the only Council meeting during which persons who have an interest in IFQ implementation issues are reasonably available to participate. Additionally, the committee noted that the Council, because of the necessity to address many other vital issues, has not been able to schedule a comprehensive discussion or consideration of IFQ implementation issues for several years. Therefore, persons who are interested to present their input and comment to the Council with respect to IFQ implementation issues have not had an opportunity to do so for several years.

The committee notes that there are several important and relevant IFQ implementation issues that have been raised by the public in the nineteen proposals that were submitted to the Council and addressed by the committee. Moreover, these proposals represent issues that exist in the halibut and sablefish IFQ fisheries that are in reasonable need of Council attention. Although the halibut and sablefish IFQ fisheries, as compared to other Bering Sea/Aleutian Islands and Gulf of Alaska fisheries, require less active attention and involvement by the Council because of the very nature of an IFQ program, and because of the careful planning that the Council originally invested in the design of the halibut and sablefish IFQ programs, the committee respectfully submits that there are contemporary circumstances that exist in the IFQ fisheries that are in need of focused attention by the Council.

The committee categorized, grouped and evaluated the nineteen 2003 proposals in comparison to, and within the structure of, the suite of proposals that was adopted by the Council in June, 2001 (the Council action of June, 2001, attached as Appendix 1, was taken in response to the recommendations that were developed by the IFQ Implementation Committee during its October, 10, 1999, meeting). The committee reviewed the issues that were identified to the committee in 1999 (Appendix 3), and evaluated whether they still warranted consideration. The committee revised the June, 2001, Council headings of "alternatives" and "options," and renamed these headings as "actions" and "alternatives" to better reflect the October 5, 2003, committee recommendations, and to more clearly describe the proposed actions that are suggested for analysis.

## **October 5, 2003, IFQ Implementation Committee Recommendations**

### **Action 1. Amend halibut block program in Areas 2C, 3A, 3B, 4A, 4B, 4C, and 4D**

- Alternative 1. No action.
- Alternative 2. Increase blocks from 2, to 3 or 4
- Alternative 3. Unblock all QS > 20,000 lbs. (now in QS units) where the 2003 TAC level exceeds a 20,000 lb. unit equivalent
- Alternative 4. Allow QS > 20,000 lbs. to be divided into smaller blocks
- Alternative 5. Increase the Area 2C and 3A halibut sweep-up level to the 5,000 lb equivalent in current QS units (2C: 35,080 units; 3A: 40,860 units)

Note: Action 1 does not include Area 4E because 100% of the halibut quota shares are allocated to the CDQ program.

Proposals #12 and #13 are included in Action 1. The committee recommends that the analysis of issues that surround Action 1 include, but are not limited to (1) a discussion of the significant increases in halibut TAC that have occurred in some areas (e.g., Area 3B and Area 4), and how these increases may be addressed by Alternatives 3 and 4; (2) a description of those Areas where Alternative 3 may not be applicable (e.g., Areas 2C and 3A); and (3) possible Area-specific threshold amounts of TAC increase that may be applicable with respect to Alternatives 3 and 4.

No proposals were received for amending the block program for sablefish. The committee did not include a recommendation with respect to the sablefish fishery because it did not identify a problem in that fishery.

### **Action 2. Amend Area 3B, 4A, 4B, 4C and 4D QS categories**

- Alternative 1. No action.
- Alternative 2. Allow D category QS to be fished as C category shares
- Alternative 3. Allow D category QS to be fished as C or B category QS
- Alternative 4. Combine B, C, and D category QS
- Alternative 5. Combine C and D category QS
- Alternative 6. Combine B and C category QS for halibut and sablefish in all areas

Proposal #10 is included in Action 2. The analysis for Action 2 is expected to identify whether to include Areas 2C, 3A, 4C and 4D in any of the Alternatives under this action in addition to those areas that were recommended by the Council in its June, 2001, action (i.e., Areas 3B, 4A and 4B).

The committee recommended a modification to the June, 2001, Council action by (1) adding Alternative 5 (i.e., "Combine C and D category QS"), and by (2) expanding the range of areas (i.e., adding Areas 4C and 4D; Note: no proposals were received from Areas 4C or 4D for inclusion in this potential action). The committee intends that the analysis should identify whether increased quotas, safety issues and other relevant circumstances that cause the need for these Alternatives in Areas 3B, 4A, and 4B are also relevant in Areas 4C and 4D. The committee notes that the public will have an opportunity to comment on the possible inclusion of Areas 4C and 4D in Action 2 alternatives.

### **Action 3. Amend the fish down regulations for halibut (Area 2C) and sablefish (Southeast)**

- Alternative 1. No action.
- Alternative 2. Eliminate the exception to the fish down regulations for halibut (Area 2C) and sablefish (Southeast)

Proposal #8 is included in Action 3. The Analysis for Action 3 will address the fact that Alternative 2 permits the use of unblocked B category QS or catcher vessel QS blocks =>5,000 lbs. on smaller vessels; that is, to allow B category QS to be fished down.

**Action 4. Amend the IFQ regulations.**

Alternative 1. No action.

Alternative 2. Forfeit inactive QS permits

Proposal #11 is included in Action 4, and was proposed by Council staff based on communications from inactive QS permit holders. The committee indicated that this concept is worthy of further examination, but needs further clarification. The proposer recommends that this action should be restricted to permits that have never been fished, and further suggests that a future proposal might be considered to address QS that has never been used in a particular regulatory area. The committee suggests that the analysis should address the distinctions between “used” and “fished,” and that the implications of addressing “permits” as compared to “QS” should be further clarified. The committee recommends that forfeited QS should be put into the QS pool. It is understood that the analysis must more fully describe the rationale and mechanisms with respect to this Action. The committee notes that it is essential that adequate notification be provided to holders of permits or QS that may be forfeited.

**Action 5. Amend QS use rights/hired skipper provisions**

Alternative 1. No action.

Alternative 2. Tighten the criteria for the 20 percent ownership requirement

The committee discussed the hired skipper issue, and whether to recommend expansion of the hired skipper provisions. The committee reconfirmed its 1999 recommendation that “The committee recognized the merit of addressing fairness issues, and recommended that leasing restrictions are fundamental to the IFQ program and recommended no change to expanding leasing/hired skipper allowances.” In addition to recommending that the leasing/hired skipper allowances not be expanded or otherwise changed, the committee further recommends that criteria should be established to tighten compliance with the 20 percent ownership requirement (e.g., a 1-year limitation on ownership changes could be included in the regulations). The committee recommended no change to the hired skipper and ownership provisions.

The committee expressed concern regarding fairness issues and impacts to QS holders that are posed by Amendment 66 provisions that govern acquisition and leasing of QS, and may consider recommending changes to the community purchase program in the future.

Proposal #1 was not recommended by the committee. Proposal #1 is vague in detail, and counter to the intent of the IFQ program policy. Proposal #1 requires no ties to ownership, would repeal the use of hired skippers, would not require ownership requirements, and would turn 30 percent of Southeast shares into A shares (without the freezer component).

Proposal #5 was not recommended by the committee, nor did the committee support the objectives of Proposal #5. The objectives of the GOA community purchase program are different than those of the Bering Sea CDQ program. If proposal #5 were to be considered for consideration and analysis by the Council, the committee suggests that any analysis of this concept should also consider the expansion of the community purchase objectives of Proposal #5 to numerous other Bering Sea communities. In considering Proposal #5, it is noted that CDQ communities may also purchase A shares.

Proposals #6, #14, #16, and #18 were not recommended by the committee because they attempt to liberalize or otherwise modify the ownership or other existing hired skipper and leasing provisions. Proposal #18 was judged as having unclear objectives.

**Action 6. Medical Transfers**

- Alternative 1. No action.  
Alternative 2. Allow medical transfers.

Proposals #3 and #15 are included in Action 6, and address the issue of medical transfers. The committee reiterated its previous recommendations that provisions for medical transfers be examined for inclusion in the halibut and sablefish IFQ program. The committee notes that short term emergency situations are not likely to result in abuse. While no specific language was offered by the committee, NMFS staff offered to work with the industry for the purpose of developing language that would attempt to blend the needs for medical transfer provisions with the policy and enforcement needs to limit the potential for abuse that could otherwise undermine the program (e.g., *de facto* leasing under the guise of medical transfers). Possible provisions for medical transfer provisions should clearly define regulatory criteria, include a time limit, and possibly attempt to define an “emergency.”

**Action 7. Pots**

The committee recommends that the Council prepare a discussion paper that examines the issues that surround a possible change in regulation that would allow the use of pots as legal gear for sablefish in the GOA.

Proposal #9 is included in Action 7, and addresses the issue of using pots in the GOA sablefish fishery. The committee did not judge this as a high priority issue, and recommends that Council staff prepare a discussion paper that would proactively address the potential reduction of incidental takes of seabirds, rockfish, and marine mammals. Several mitigation measures, including time and area restrictions and pot limits, may be available to address gear conflicts, ground preemption, ghost fishing and other issues that were originally considered by the Council in 1985 when it adopted the current prohibition on the use of pots in the GOA sablefish fishery.

**Action 8. Housekeeping/administrative changes**

- Alternative 1. No action.  
Alternative 2. Add check-in/check out and/or VMS requirements to the BS and AI sablefish regulations.  
    Option 1. Add check-in/check-out for the Aleutian Islands and Bering Sea sablefish fishery (e.g., in Dutch Harbor, Adak, St Paul, St George)  
    Option 2. Require VMS when fishing in the Aleutian Islands and Bering Sea sablefish fishery

Proposal #17 is addressed in Action 8. The committee recommends that the analysis for this action consider (1) issues that are associated with the inability of the fleet to achieve the sablefish TAC in the BS and AI, (2) possible enforcement related issues and challenges that may exist in this fishery, and that may be associated with the proximity of the BS and AI sablefish Areas to the Western GOA sablefish area, (3) the price differential that exists between the price of sablefish QS in the BS and AI, and that of sablefish QS in the Western GOA, and (4) the methodology for sablefish TAC setting in the BS and AI. The committee notes that the proposed check-in/check-out procedures, the VMS option and the proposed ports are similar to provisions that currently exist in the halibut fishery.

**Action 9. Housekeeping/administrative changes**

- Alternative 1. No action.  
Alternative 2. Change product recovery rate from 0.98 to 1 for bled sablefish.

Proposal #19 is addressed in Action 9. The committee agrees with Proposal #19 that a .98 product recovery rate for sablefish is not reasonable, has no conservation benefit, and is a disincentive to improved quality (i.e., a disincentive to bleeding sablefish).

### **Possible Action 10. Extended Halibut Season**

The IPHC will consider a proposal to extend the halibut season at its January, 2004, meeting. The expressed intent of the IPHC is to consult with the Council on the effects of a season change prior to the IPHC taking action to revise regulations that may implement any proposed halibut season extension. The committee notes that a potential need may exist for the Council to address the effects of any halibut season extension during its February, 2003, meeting. If the IPHC acts to extend the halibut season, the committee then recommends that this issue be added to the Actions that the committee has identified as “Priority 1” analytical packages.

### **Other Proposals and Issues**

The committee requested that the Council clarify the extent to which, if any, it intends for the GOA QS Community Purchase Committee and the IFQ Implementation and Cost Recovery Committee to share responsibility for recommendations that relate to the purchase of halibut and sablefish QS by GOA communities under Amendment 66 in so far as these changes effect the halibut and sablefish IFQ programs.

Proposal #2 addressed a problem that does not exist.

Proposal #4 was identified by the committee as being outside of the purview of the committee, and possibly of the Council, and did not recommend Proposal #4 for analysis

Proposal #7 was judged as an issue that is more within the purview of the Observer Committee.

### **Halibut subsistence**

The committee concurred with the Council’s intent to schedule an agenda item during the October, 2003, meeting for the purpose of examining the potential need to revise halibut subsistence regulations

### **Committee Priorities for Analytical Packages**

The committee grouped the proposed actions into possible analytical packages, and ranked them according to the following priorities:

**Priority 1:** Actions 1, 2, 3, 4 and 6 that address changes to the block program, QS categories, fish down exemption, 20% ownership requirements and medical transfers. “Possible Action 10” (i.e., extended halibut season) could become a “Priority 1” Action.

**Priority 2:** Action 7 that addresses the development of a discussion paper that considers the use of pots as legal gear for sablefish in the GOA.

**Priority 3:** Actions 5, 8, and 9 that address the forfeiture of QS, check-in/check out provisions and Product Recovery Rates for sablefish.

### **Attached Appendices:**

**Appendix 1:** Article from the June, 2001, Council Newsletter (Issue 4-01) that summarizes Council action with respect to the recommendations from the 10/10/99 IFQ Implementation Committee meeting.

**Appendix 2:** Spreadsheet summary of the 2003 IFQ Proposals that was submitted to the Council

**Appendix 3:** Spreadsheet summary of the 1999 IFQ Proposals that was submitted to the Council

## **Appendix 1**

Article from the June, 2001, Council Newsletter (Issue 4-01)

### **Groundfish and IFQ Proposals**

The Council did not call for proposals in 2000 and will not call for any proposals (groundfish, crab, scallop, or halibut/sablefish IFQ) this year due to its existing workload. It did adopt a problem statement for the westward area IFQ program and five IFQ proposals submitted in 1999, during the previous biennial call for proposals, and three alternatives for analysis. When staff time becomes available, the Council will initiate analysis of alternatives forwarded by IFQ committee and AP\ relative to this issue. Staff contact is Jane DiCosimo.

**Westward Area IFQ Problem Statement:** The halibut/sablefish vessel size classes and block plan were designed to maintain a diverse, owner-operated fleet and provide an entry-level to the IFQ fisheries. Large quota increases, and other factors unique to the 3B/4A areas, suggest that these provisions should be reviewed to determine if changes are needed to ensure program goals are met.

#### **Alternative 1: Status quo.**

#### **Alternative 2: Block program:**

Option 1: Increase number of blocks from 2 to 4

Option 2: Unblock all quota shares >20,000 lb

Option 3: Allow quota shares >20,000 lb to be divided into smaller blocks

#### **Alternative 3: Quota share categories:**

Option 1. Allow D category quota shares to be fished as C category shares.

Option 2: Allow D category shares to be fished as C or B category quota shares

Option 3: Combine B, C, and D category quota shares

Option 4: Combine C and D category quota shares

#### **Alternative 4: Sunset hired skipper provisions of initial recipients in all areas**

### Summary of 2003 IFQ proposal review

No.	Proposer	Species	Area	Description	Action	Rank
1	Whitethorn	halibut	2C	allow 30% of C and D shares to be fished without an owner on board		
2	Brindle	halibut	all	allow vessels to clear in Bellingham or Seattle/implemented under Plan Amendments 72/64	NA	
3	Miller	both	Southeast	medical transfers	similar to #12	
4	Stadem	both	all	compensation program for loss of private capital investment	Congress	
5	Lestenkof	halibut	4C	allow purchase of halibut quota shares by Saint Paul and Saint George		
6	Crowley	both	all	second generation participants get first generation privileges after 10 years and 20,000 lb	similar to #13	
7	Mulligan	both	all	tax on IFQs to cover observers	NA?	
8	Mulligan	both	Southeast	allow unblocked B class or catcher vessel QS blocks >= 5,000 lb to be fished on smaller vessels		
9	Hankins	sablefish	GOA	allow pots for sablefish in the Gulf of Alaska		
10	Branshaw	both	all	allow fish up of C and D class shares on B class bessels		
11	Council staff	both	all	never used QS would be forfeited and redistributed to QS pool		
12	Merrigan	halibut	2C, 3A	raise sweep-up levels		
13	Merrigan	halibut	2C, 3A	increase limit to 3 blocks		
14	DSFUP	both	all	do not allow non-boat owners to hire skippers		
15	PVOA	both	all	short term emergency medical transfer of B, C, or D shares	similar to #3	
16	Laukitis	both	all	boat owners who actively fish would be granted first generation rights	similar to #6	
17	Laukitis	sablefish	BS, AI	check-in/check-out procedure for fishing BSAI sablefish or VMS for enforcement purposes	enforcement	
18	Hubbard	both	all	eliminate requirement to fish all B, C or D shares before A shares or non-IFQ fish from state waters	enforcement	
19	ALFA	sablefish	all	change the product recovery rate for bled sablefish from the current 0.98 to 1		

IFQ Proposals (as of 8/23/99)							
No.	Proposal	Proposer	Species	Area	Amendment	Comments	Rank
1	inc. # blocks to 3 or 4 in Areas 3B and 4	Mack	halibut	both	regulatory	Block program	1
2	unblock portion of blocked halibut quota > 20,000 lb	Whitmire	halibut	both	regulatory	Block program	1
3	inc. # blocks + eliminate B & C Class in Areas 4B,C,D & BS & AI	Dierking	both	both	plan	Block program/vessel class	1
4	inc. # blocks to 4 in Area 4 or increase sweep-up to 10,000 lb per block	Schrader	halibut	BSAI	plan	Block program/sweep-up	1
5	allow hired skippers for medical emergencies	Schrader	halibut	BSAI	plan	transfer provisions	2
6	emergency medical transfer for B-D Class QS	PVOA	both	both	regulatory	transfer provisions	2
7	fish up D Class shares on C Class vessels in Areas 3B and 4A	Wagner	halibut	both	regulatory	Vessel class	1
8	allow vessel cap overage of 10% of remaining poundage before last trip	Lundsten	both	both	plan	Vessel cap overage	3
9	change IFQ meeting cycle	Lundsten	both	both	neither	administration	4
10	allow community-based non-profit regs. to acquire QS	GCCC	both	both	plan	Ownership criteria	not approved